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BEFORE THE ARIZONA CORPORATION COMM

JAMES M. IRVIN Chairman RENZ D. JENNINGS Commissioner CARL J. KUNASEK Commissioner

IN THE MATTER OF THE COMPETITION IN THE PROVISION OF ELECTRIC SERVICES THROUGHOUT THE STATE OF ARIZONA

Docket No. E-01461A-98- 9527

PROPOSALS TO BENEFIT STANDARD **OFFER CUSTOMERS BY TRICO** ELECTRIC COOPERATIVE, INC.

Trico Electric Cooperative, Inc., ("Trico") hereby submits its Proposal of Benefits to Standard Offer Customers pursuant to R14-2-1604(C).

BENEFITS TO STANDARD OFFER CUSTOMERS

Trico is a nonprofit, distribution cooperative that provides service to approximately 21,000 customers in portions of Pima, Pinal and Santa Cruz Counties, Arizona. Because Trico is a cooperative, its customers are its owners. Trico owns no generation facilities and purchases all of its requirements for electricity from AEPCO. AEPCO is a nonprofit generation and transmission cooperative with Class A, B and C Members. Each Class A Member is represented on AEPCO's Board by two directors and the Class B Members, collectively, and the Class C Members, collectively, are each represented by one director. Members have served as load aggregators on behalf of the member/consumers of the distribution cooperatives. The distribution cooperatives aggregate the end-users load's and AEPCO aggregates the loads of the distribution cooperatives. AEPCO is formed by the distribution cooperatives to obtain a reliable supply of electricity on a cost effective basis.

Specific Programs.

The advent of competitions has caused the entire utility industry to examine the way each utility conducts business and seeks opportunities to reduce the cost of electricity delivered to customers. Trico continuously reviews its operations and examines cost savings opportunities. As a member/consumer owned entity, Trico's goal is to provide the lowest cost electricity delivered to its customers that is reasonably practicable and will enable Trico to be financially sound.

One of the most significant benefits that Trico provides to its customers, and Standard Offer customers will continue to receive the benefits, is through Trico's credit rotation policy. For several years, Trico has retired credits on a 15 year cycle based on the First In – First Out

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method. In addition, because Trico margins have exceeded budget over the last four years and because the financial condition of Trico permitted it to do so, Trico has made refunds on a Last In – First Out method. Trico for 1996 and 1997, retired capital credits each of those years on a Last In – First Out method that in effect, has reduced the rates paid by Trico's residential customers by approximately 4% per year.

Another benefit that Trico's Standard Offer customers will receive, is the positive efforts that Trico has made in conjunction with AEPCO in lowering the cost of the supply of electricity. The cost of electric supply is more than 60% of Trico's cost of providing electric service. Working with AEPCO, Trico has developed several demand side management programs and rate alternatives, such as interruptible service rates, that Trico will continue to offer its Standard Offer customers. Trico's wholesale electricity costs have declined as AEPCO has effectively undertaken cost savings measures in a time period when certain other utilities' electricity costs have not done so. The Trico Board of Directors, its management, its staff and its representatives on the AEPCO Board of Directors, are currently working on an innovative plan for restructuring AEPCO to better enable AEPCO to compete in the evolving energy market place. Trico's members and Standard Offer customers will see the benefits of that activity in the long run.

Trico has provided non-electric related services to its customers and it will continue to vigorously attempt to improve the economic life of its customers through innovative programs.

O'CONNOR CAVANAGH MOLLOY JONES

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2	foregoing filed this 18th day of September, 1998, with:
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